

**REPORT OF THE AUDIT OF THE  
MONROE COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 29, 2005**



**CRIT LUALLEN  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
MONROE COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**April 29, 2005**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Monroe County Sheriff as of April 29, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$2,381,977 for the districts for 2004 taxes, retaining commissions of \$92,780 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,301,410 to the districts for 2004 Taxes. Taxes of \$6 are due to the districts from the Sheriff and refunds of \$12,845 are due to the Sheriff from the taxing districts.

**Report Comment:**

- The Sheriff Should Require Depository Institutions To Pledge or Provide Additional Collateral To Protect Deposits



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Wilbur Graves, Monroe County Judge/Executive

Honorable Jerry Gee, Monroe County Sheriff

Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the Monroe County Sheriff's Settlement - 2004 Taxes as of April 29, 2005. This tax settlement is the responsibility of the Monroe County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Monroe County Sheriff's taxes charged, credited, and paid as of April 29, 2005, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2005 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Wilbur Graves, Monroe County Judge/Executive  
Honorable Jerry Gee, Monroe County Sheriff  
Members of the Monroe County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Require Depository Institutions To Pledge or Provide Additional Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 8, 2005



MONROE COUNTY  
JERRY GEE, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

April 29, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 206,881	\$ 444,324	\$ 909,807	\$ 307,971
Tangible Personal Property	25,818	50,149	99,848	85,092
Intangible Personal Property				27,561
Fire Protection	1,726			
Franchise Corporation	39,634	80,806	162,149	
Additional Billings	2	5	10	2
Oil and Gas Property Taxes	29	62	127	43
Limestone, Sand, and Mineral Reserves	70	151	309	104
Penalties	2,165	4,622	9,457	3,412
Adjusted to Sheriff's Receipt	(139)	(238)	(510)	(178)
Gross Chargeable to Sheriff	<u>\$ 276,186</u>	<u>\$ 579,881</u>	<u>\$ 1,181,197</u>	<u>\$ 424,007</u>
<u>Credits</u>				
Exonerations	\$ 657	\$ 1,397	\$ 2,849	\$ 1,275
Discounts	3,387	7,157	14,610	6,346
Delinquents:				
Real Estate	3,138	6,737	13,796	4,670
Tangible Personal Property	53	106	212	237
Uncollected Franchise	1,816	3,637	7,214	
Total Credits	<u>\$ 9,051</u>	<u>\$ 19,034</u>	<u>\$ 38,681</u>	<u>\$ 12,528</u>
Taxes Collected	\$ 267,135	\$ 560,847	\$ 1,142,516	\$ 411,479
Less: Commissions *	<u>11,641</u>	<u>23,376</u>	<u>39,988</u>	<u>17,775</u>
Taxes Due	\$ 255,494	\$ 537,471	\$ 1,102,528	\$ 393,704
Taxes Paid	257,223	541,151	1,109,439	393,597
Refunds (Current and Prior Year)	<u>71</u>	<u>149</u>	<u>303</u>	<u>103</u>
Due Districts or (Refund(s) Due Sheriff)		**		
as of Completion of Fieldwork	<u>(1,800)</u>	<u>\$ (3,829)</u>	<u>\$ (7,214)</u>	<u>\$ 4</u>

The accompanying notes are an integral part of this financial statement.

MONROE COUNTY  
 JERRY GEE, COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2004 TAXES  
 April 29, 2005  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,045,643
4% on	\$	183,818
3.5% on	\$	1,142,516

\*\* Special Taxing Districts:

Library District	\$	(982)
Health District		(720)
Extension District		(865)
Soil Conservation District		2
Ambulance District		<u>(1,264)</u>
Due Districts or (Refund(s) Due Sheriff)	\$	<u><u>(3,829)</u></u>

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 29, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 9, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$109,206 of public funds uninsured and unsecured.

MONROE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 April 29, 2005  
 (Continued)

Note 2. Deposits (Continued)

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	1,350,000
Uncollateralized and uninsured	<u>109,206</u>
Total	<u>\$ 1,559,206</u>

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 2004 through April 29, 2005.

Note 4. Interest Income

The Monroe County Sheriff earned \$456 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of August 8, 2005, the Sheriff owed \$39 in interest to the school district and \$20 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Monroe County Sheriff collected \$15,604 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of August 8, 2005, the Sheriff was due a refund of \$646 for overpayment of 10% add-on fees from his fee account.

Note 6. Advertising Costs And Fees

The Monroe County Sheriff collected \$621 of advertising costs and \$1,675 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff will distribute the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office. As of August 8, 2005, the Sheriff owed \$621 in advertising costs to the county and \$1,675 in advertising fees to his fee account.

COMMENT AND RECOMMENDATION



MONROE COUNTY  
JERRY GEE, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

As of April 29, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral To Protect Deposits

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On December 9, 2004, \$109,206 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response: This Being done*

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

The following comments were in the prior year audit report, but have been corrected.

- The Sheriff Should Have A Written Agreement To Protect Deposits
- The Sheriff Should Obtain Refunds For Overpayments Caused By The County Clerk's Office's Improperly Prepared Franchise Tax Bills

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wilbur Graves, Monroe County Judge/Executive  
Honorable Jerry Gee, Monroe County Sheriff  
Members of the Monroe County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Monroe County Sheriff's Settlement - 2004 Taxes as of April 29, 2005, and have issued our report thereon dated August 8, 2005. The Sheriff prepares his tax settlement in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Monroe County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Monroe County Sheriff's Settlement - 2004 Taxes as of April 29, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral To Protect Deposits



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 8, 2005

